



## **Loewen and Associates**

**Commodity Brokerage/Consulting**

**Pete Loewen, Tim Strunk,**

**Matt Hines, Doug Biswell**

**866 341 6700**

**www.loewenassociates.com**

Date: 06.16.10

## **Morning Ag Markets**

**Pete Loewen**

It was kind of a quiet looking day in both the grains and the livestock trade on Tuesday. Outside markets had the DOW strongly higher, the dollar weaker and crude up quite a bit, but yet that didn't really translate into anything significant for the ag commodities. That's kind of a surprise too considering there is so much influence from those outsides at times these days.

At the finish the hogs were mixed, but cattle contracts were mildly better. Cutouts were higher in the noon boxed beef report and that's the first higher quote in the last 19 business days, so it probably **should have been** rewarded with a minor rally.

Whether the higher product quotes can help generate cash optimism this week is the next question that bears asking?? On one hand, there might be some friendly spillover into the negotiations if packers are able to put the skids on that product slide and string together more than just the one day's better cutout quotes. On the other hand though is the infamous bearish forecast for this Friday's On Feed report that packers have strongly on their side as leverage against paying better money. Granted, that data doesn't have any impact at all on immediate term availability of cattle, but it will have an effect on futures, so it's going to play heavily into whether the psychology of the market can maintain a positive tone, or a negative one.

Cattle slg. \_\_\_128,000 -1K WA -2k ya

Choice Cutout\_\_154.21 +1.08

Select Cutout\_\_\_146.71 +1.20

Feeder Index:\_\_\_108.57 +.41

Lean Index.\_\_\_ 77.76 -.17

Pork cutout\_\_82.76 +.03

IA-S.MN direct avg\_\_75.72 +.62

Hog slg.\_\_\_\_ 393,000 -8k wa -24k ya

Calls this morning in the livestock trade are mixed and the overnight trade has been fairly quiet. Estimates for Friday's On Feed report are looking for an On Feed total on June 1 of around even to 1% above year ago levels. Placements in May are expected to come in at a range of 118%-128% of a year ago and Marketings in May at 95%-97% of a year ago. If

realized, that's not going to bode too well for the Fall months in cattle futures, especially if we're at the top end of the range on the On Feed or Placement guesses.

In the grains, the futures spent most of the day with corn and wheat slightly lower and beans mildly higher, but they all moved back to just mixed at the close. Considering the Canadian Wheat Board news was still relatively fresh about all the potential acreage abandonment due to the wet spring, it was surprising that there wasn't more spillover or follow through towards higher prices. It was supportive to oats and the rapeseed markets, but not soybeans or wheat??

Overnight E-CBT trade was\_\_ higher in wheat and beans, but mixed in corn. KC Wheat finished +2 ½ to +3 ½ cents, Chicago +2 to +3 ¾, corn -1/2 to +1 ¼ and soybeans +3 to +4 ½ cents.

On the flipside of the bullish Canada wheat news are reports out of Argentina and Australia citing expanding production. Argentina's Ag Minister said their 2010-11 wheat production could easily double last year's 7.5 mmt number. The Australian Bureau of Ag also released a 2010-11 production estimate of 22.1 mmt's, versus last year's 21.7 mmt number. The 22 mmt number was 200,000 larger than their last release, so there is a negative undertone coming from that news.

With what happened in the trade yesterday in oats and rapeseed markets, the bullish weather market-type traders started beating their drums a little harder. What throws them offbeat a little bit though is the mentality that rain makes grain in the case of US corn and soybean production. That same rain creeping up north into the Canadian Provinces creates a different picture for world oilseed supplies and for the higher protein quality wheat supply picture as well. There is a lot of spring and durum wheat produced up there that isn't ever going to get planted this year as insurance deadline dates and optimal calendar dates for planting have already passed or will pass within a week. With the extended forecast for the Canadian Prairies wet in 13 out of the next 16 days, the rush to finish or continue is looking like a futile effort. We can only hope that the friendliness of their situation can spill over into the US markets. Once again though, it will be a hard fought battle when we're already looking at the early potential for record US corn and bean yields this coming fall. It only takes one forecast to change that picture too, but with the 6-10's being normal to above temps and normal to above precip, a change isn't in the offering yet.

Opening calls this morning are going to be 2-4 better in wheat and beans, which coming from the Canada bullishness. Corn should struggle with a mixed open just like in the overnight trade and that is coming from great US crop prospects. Keep in mind that the game changes again at the end of this month with quarterly stocks and final plantings numbers coming out on the last day of June as well.

## **Pete Loewen & Tim Strunk**

**Loewen and Associates, Inc.**

[www.loewenassociates.com](http://www.loewenassociates.com)

[peteloewen@cox.net](mailto:peteloewen@cox.net)

[timstrunk@cox.net](mailto:timstrunk@cox.net)

**866 341 6700**

**IMPORTANT—PLEASE NOTE**

This does not constitute a solicitation to buy or sell commodities futures and/or options. The information contained herein is provided for informational purposes only. The information is not guaranteed as to its accuracy or completeness, although the information was taken from sources we believe to be reliable. The

market recommendations of Loewen and Associates, Inc. are based solely on the judgment of Loewen and Associates, Inc. personnel. We do not guarantee or warranty, either expressed or implied, of success to you in the use of this information. Loewen and Associates, Inc. disclaims responsibility for or loss associated with use of information from our commentary, analysis or recommendations. **There is risk of loss in trading commodity futures and options. The risk in trading can be substantial; therefore only genuine "risk" funds should be used.**